

UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA

SILVER STATE INTELLECTUAL
 TECHNOLOGIES, INC., a Nevada
 corporation,

Plaintiff,

vs.

FOURSQUARE LABS, INC., a Delaware
 corporation,

Defendant.

Case No.: 2:12-cv-01308-GMN-PAL

ORDER

Pending before the Court is the Motion to Dismiss (ECF No. 20) filed by Defendant FourSquare Labs, Inc. (“Defendant”). Plaintiff Silver State Intellectual Technologies, Inc. (“Plaintiff”) filed a Response (ECF No. 26) and Defendant filed a Reply (ECF No. 29). After Defendant filed its Motion to Dismiss, Plaintiff filed a Second Amended Complaint (“SAC”). (ECF No. 21.)

I. BACKGROUND

This case arises from Defendant’s alleged infringement of United States Patent No. 7,343,165 (“the ’165 Patent” or the “Asserted Patent”), titled “GPS Publication Application Server.” (Second Am. Compl. ¶ 5, ECF No. 21.) *See generally* United States Patent No. 7,343,165 (filed Apr. 11, 2001).

Plaintiff is a Nevada corporation and is the owner by assignment of the ’165 Patent. (*Id.* ¶¶ 4-5.) Defendant “makes, uses, and provides in the United States the ‘foursquare’ brand location-based social networking system that [Plaintiff] alleges infringes the ’165 patent.” (*Id.* ¶ 7.)

Plaintiff initiated this action on July 25, 2012 alleging one cause of action for

1 infringement of the '165 Patent and United States Patent No. 7,475,057. (Compl., ECF No. 1.)
2 Subsequently, Plaintiff filed its First Amended Complaint ("FAC") in which Plaintiff alleges
3 only that Defendant is infringing the '165 Patent. (First Am. Compl., ECF No. 18.)

4 In response to Plaintiff's FAC, Defendant filed the instant Motion to Dismiss Plaintiff's
5 Claims of Indirect Infringement. (ECF No. 20.) Thereafter, Plaintiff filed its Second Amended
6 Complaint ("SAC"). (ECF No. 21.) Plaintiff also filed an opposition to Defendant's Motion in
7 which Plaintiff asserts only that the allegations in the SAC cure the deficiencies that Defendant
8 identifies in its Motion. (ECF No. 26.) Defendant disagrees. (ECF No. 29.) Specifically,
9 Defendant asserts that the allegations in Plaintiff's SAC are merely legal conclusion and, as
10 such, Plaintiff's SAC is still inadequate to state a plausible cause of action for indirect patent
11 infringement. (*Id.*) For the reasons discussed below, the Court GRANTS Defendant's Motion
12 to Dismiss, but also grants Plaintiff's leave to file an amended complaint if Plaintiff can cure
13 the defects discussed herein.

14 **II. LEGAL STANDARD**

15 "A motion to dismiss for failure to state a claim upon which relief can be granted is a
16 purely procedure question not pertaining to patent law." *McZeal v. Sprint Nextel Corp.*, 501
17 F.3d 1354, 1355-56 (Fed. Cir. 2007). Accordingly, this Court applies the law of the regional
18 circuit, the Ninth Circuit, when analyzing whether a Complaint alleging patent infringement
19 states a valid claim. *See id.* at 1356.

20 Federal Rule of Civil Procedure 12(b)(6) mandates that a court dismiss a cause of action
21 that fails to state a claim upon which relief can be granted. *See North Star Int'l v. Ariz. Corp.*
22 *Comm'n*, 720 F.2d 578, 581 (9th Cir. 1983). When considering a motion to dismiss under Rule
23 12(b)(6) for failure to state a claim, dismissal is appropriate only when the complaint does not
24 give the defendant fair notice of a legally cognizable claim and the grounds on which it rests.
25 *See Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 555 (2007). In considering whether the

1 complaint is sufficient to state a claim, the Court will take all material allegations as true and
2 construe them in the light most favorable to the plaintiff. *See NL Indus., Inc. v. Kaplan*, 792
3 F.2d 896, 898 (9th Cir. 1986).

4 The Court, however, is not required to accept as true allegations that are merely
5 conclusory, unwarranted deductions of fact, or unreasonable inferences. *See Sprewell v. Golden*
6 *State Warriors*, 266 F.3d 979, 988 (9th Cir. 2001). A formulaic recitation of a cause of action
7 with conclusory allegations is not sufficient; a plaintiff must plead facts showing that a
8 violation is *plausible*, not just possible. *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (citing
9 *Twombly*, 550 U.S. at 555) (emphasis added).

10 A court may also dismiss a complaint pursuant to Federal Rule of Civil Procedure 41(b)
11 for failure to comply with Federal Rule of Civil Procedure 8(a). *Hearns v. San Bernardino*
12 *Police Dept.*, 530 F.3d 1124, 1129 (9th Cir.2008). Rule 8(a)(2) requires that a plaintiff's
13 complaint contain *only* "a short and plain statement of the claim showing that the pleader is
14 entitled to relief." Fed. R. Civ. P. 8(a)(2).

15 If the court grants a motion to dismiss, it must then decide whether to grant leave to
16 amend. The court should "freely give" leave to amend when there is no "undue delay, bad
17 faith[,] dilatory motive on the part of the movant . . . undue prejudice to the opposing party by
18 virtue of . . . the amendment, [or] futility of the amendment" Fed. R. Civ. P. 15(a); *Foman*
19 *v. Davis*, 371 U.S. 178, 182 (1962). Generally, leave to amend is only denied when it is clear
20 that the deficiencies of the complaint cannot be cured by amendment. *See DeSoto v. Yellow*
21 *Freight Sys., Inc.*, 957 F.2d 655, 658 (9th Cir. 1992).

22 **III. DISCUSSION**

23 When pleading a cause of action for direct patent infringement, a plaintiff's pleading
24 need only conform with Form 18 of the Federal Rules of Civil Procedure. *See K-Tech*
25 *Telecomm., Inc. v. Time Warner Cable, Inc.*, 714 F.3d 1277, 1283 (Fed. Cir. 2013) (citing

1 *McZeal*, 501 F.3d at 1357) (applying the Ninth Circuit law in reversing a district court’s grant
 2 of a motion to dismiss). However, “[t]he Forms are controlling only for causes of action for
 3 which there are sample pleadings.” *In re Bill of Lading Transmission and Processing Sys.*
 4 *Patent Litigation*, 681 F.3d 1323, 1336 (Fed. Cir. 2012). Thus, Form 18 applies only to claims
 5 of direct infringement. *Id.* (“Form 18 should be strictly construed as measuring only the
 6 sufficiency of allegations of direct infringement, and not indirect infringement.”). When
 7 pleading a cause of action for indirect patent infringement, plaintiffs must satisfy the pleading
 8 requirements articulated by the Supreme Court in *Bell Atlantic Corp. v. Twombly* and its
 9 progeny. *See In re Bill of Lading*, 681 F.3d at 1336; *Superior Indus., LLC v. Thor Global*
 10 *Enters. Ltd.*, 700 F.3d 1287, 1295 (Fed. Cir. 2012) (“Form 18 does not determine the
 11 sufficiency of pleading for claims of indirect infringement. . . . Rather, the pleading
 12 requirements set forth in [*Twombly*] and [*Iqbal*] apply to such claims.” (citations omitted)).

13 **A. Knowledge of the Asserted Patent**

14 To state a claim for indirect infringement under either section 271(b) or section 271(c), a
 15 plaintiff must allege that the defendant had “knowledge of the existence of the patent that is
 16 infringed.” *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2068 (2011).

17 Defendant argues that Plaintiff’s SAC fails to state a claim because the SAC lacks any
 18 factual allegation that Defendant had knowledge of the ’165 Patent prior to the initiation of this
 19 action. (Reply 3:4-10, ECF No. 29.) To support this proposition, Defendant cites numerous
 20 district court orders. However, Defendant fails to acknowledge that many courts also conclude
 21 that the filing of the complaint can satisfy the knowledge element for *post-filing acts of indirect*
 22 *infringement*. *See, e.g., Symantec Corp. v. Veeam Software Corp.*, No. 12-cv-00700-SI, 2012
 23 WL 1965832, at *3 (N.D. Cal. May 31, 2012) (“The Court finds that plaintiff has adequately
 24 pled knowledge of alleged infringement *as of* the date of the complaint.” (emphasis in
 25 original)); *Apeldyn Corp. v. Sony Corp.*, 852 F. Supp. 2d 568, 574 (D. Del. 2012) (“[I]f a

1 complaint sufficiently identifies, for purposes of Rule 8, the patent at issue and the allegedly
2 infringing conduct, a defendant's receipt of the complaint and decision to continue its conduct
3 despite the knowledge gleaned from the complaint satisfies the requirements of *Global-Tech.*").

4 Nevertheless, Defendant asserts that "[s]ince the Supreme Court's decision in *Global-*
5 *Tech*, the majority of district courts require a plaintiff to allege that the defendant had ***pre-suit***
6 ***knowledge*** of the patent-in-suit." (Reply 3:11-4:4, ECF No. 29 (emphasis in original).)

7 However, at least one of the cases that Defendant cites provide only that a plaintiff cannot
8 "'bootstrap' the knowledge Defendants *now* have based on Plaintiff's filing of the Complaint
9 onto defendant's acts *before* Plaintiff filed its complaint." *Proxycorr Inc. v. Microsoft Corp.*,
10 No. SACV 11-1681-DOC-ANX, 2012 WL 1835680, at *5 (C.D. Cal. May 16, 2012).

11 Similarly, another case that Defendant cites, *Xpoint Technologies, Inc. v. Microsoft Corp.*,
12 seems to suggest that a plaintiff need only allege that the defendant had knowledge of the
13 asserted patent at the time the defendant committed the allegedly infringing activities. 730 F.
14 Supp. 2d 349, 357 (D. Del. 2010) ("[P]laintiff . . . fails to allege sufficient facts that would
15 allow the court to infer that [Defendants] had any knowledge of the [asserted] patent *at the time*
16 *they were committing the allegedly infringing activities.*" (emphasis added)).

17 Based on this case law and for the reasons stated below, the Court concludes that
18 Defendant's argument fails as it relates to the allegations in the SAC of post-filing acts of
19 indirect infringement. First, neither party can dispute that Defendants had knowledge of the
20 '165 Patent by October 15, 2012, when Defendant "acknowledged receipt of the original
21 Complaint . . . , and likely as early as July 25, 2012, when the original Complaint was filed."
22 (Second Am. Compl. ¶ 9, ECF No. 21.) Furthermore, Plaintiff's Second Amended Complaint
23 specifically alleges that Defendant "is continuing to indirectly infringe[] one or more claims of
24 the '165 patent" (Compl. ¶ 17; *see also* Compl. ¶ 24 ("[Defendant] . . . is continuing to
25 contributorily infringe[] one or more claims of the '165 patent . . . ").) Therefore, just as the
Northern District of California did in *Symantec*, this court will construe Plaintiff's complaint as

1 alleging indirect infringement for “post-filing conduct” because Plaintiff adequately alleged the
2 knowledge element for any acts of indirect infringement that occurred after the initiation of this
3 action. *See Symantec Corp.*, 2012 WL 1965832, at *4. To the extent Plaintiff intended to plead
4 a cause of action for indirect infringement for acts of infringement that occurred prior to the
5 July 25, 2013, Plaintiff has not stated a claim. However, if Plaintiff intended to allege indirect
6 infringement for pre-filing acts of infringement, the Court will grant leave to amend if Plaintiff
7 can add facts from which the Court can infer that Defendants had knowledge of the ’165 Patent
8 prior to the initiation of this action.

9 **B. Induced Infringement**

10 “Whoever actively induces infringement of a patent shall be liable as an infringer.” 35
11 U.S.C. § 271(b). To be liable for induced patent infringement, the accused infringer must have
12 had “knowledge that the induced acts constitute patent infringement.” *Global-Tech Appliances,*
13 *Inc. v. SEB S.A.*, 131 S.Ct. 2060, 2068 (2011). Therefore, a claim for induced infringement
14 cannot survive a motion to dismiss without facts that plausibly establish that the accused
15 infringer “specifically intended their customers to infringe the [asserted] patent and knew that
16 the customer’s acts constituted infringement.” *In re Bill of Lading*, 681 F.3d at 1339.

17 Here, with respect to the intent element of induced infringement, Plaintiff has failed to
18 plead sufficient facts to plausibly show that Defendant had the requisite intent to induce its
19 customers to infringe the ’165 Patent. The allegations in Plaintiff’s complaint are mere legal
20 conclusions; Plaintiff’s Complaint lacks facts from which the Court could reasonably infer that
21 the Defendant intended to induce infringement. Specifically, Plaintiff’s complaint provides
22 only that

23 Upon information and belief, FOURSQUARE LABS’s induced infringement of
24 the ’165 patent has been, and will continue to be, willful and deliberate, making
25 this case an exceptional case under 35 U.S.C. § 285, because FOURSQUARE
LABS has failed to allege any factual basis in support of a good faith defense that
it does not induce infringement of the ’165 patent, or that the ’165 patent is
invalid.

(SAC ¶ 20.) This statement is no more than a conclusion and, as such, is not entitled to the assumption of truth. *See Ashcroft v. Iqbal*, 566 U.S. 662, 679 (2009). Thus, because the Complaint lacks any factual assertions supporting this conclusion, the Court must **GRANT** Defendant's Motion to Dismiss and dismiss Plaintiff's claim for induced patent infringement. However, because it is not clear that this deficiency could not be cured by amendment, the Court grants Plaintiff leave to amend this cause of action.

C. Contributory Infringement

"Contributory infringement occurs if a party sells or offers to sell, a material or apparatus for use in practicing a patented process, and that 'material or apparatus' is material to practicing the invention, has no substantial non-infringing uses, and is known by the party 'to be especially made or especially adapted for use in an infringement of such patent.'" *In re Bill of Lading*, 681 F.3d at 1337 (quoting 35 U.S.C. § 271(c)). To avoid dismissal of a contributory infringement cause of action, a plaintiff must plead facts from which the Court can infer that the accused device has no substantial noninfringing uses. *Id.*

Here, Defendant asserts that Plaintiff's SAC is insufficient to state a claim for contributory infringement because the SAC lacks the requisite factual allegations to establish that the allegedly infringing system has no substantial non-infringing uses. (Reply 9:16-23, ECF No. 29.) Plaintiff's Complaint states that Defendant

has knowingly contributorily infringed independent Claim 2 of the '165 patent by providing within the United States the foursquare system *constituting a material part of the claimed system of Claim 2*, . . . knowing the same to be *especially made or especially adapted for use in an infringement* of the '165 patent, and *not a staple article or commodity of commerce suitable for substantial noninfringing use* absent combination with a personal communication device.

(Compl. ¶ 25.) Additionally, Plaintiff's Complaint alleges that

the components provided by [Defendant] to enable the foursquare service whereby a user 'checks in' at a particular location using a personal communication device and provides additional information related to the geographic location of the individual associated with the personal communication

1 device . . . have no substantial noninfringing uses absent combination with the
 2 user's personal communication device, and therefore, at least the components
 3 provided by [Defendant] to enable the foursquare check in service have no
 4 substantial, non-infringing uses other than to perform the claimed invention of the
 '165 patent.

5 (Compl. ¶ 26.)

6 Although the words of the SAC demonstrate that Plaintiff contemplated the need to
 7 plead that the Defendant's system had no substantial noninfringing uses, Plaintiff's cryptic
 8 choice of words fails to convince the Court that Plaintiff has indeed sufficiently pleaded this
 9 element. Specifically, it is unclear from Plaintiff's word choice whether Defendant's system is
 10 capable of noninfringing uses when performed in combination with a device other than a
 11 personal communication device and, if so, whether such uses would be substantial. *See, e.g.,*
 12 *Superior Indus., Inc. v. Thor Global Enters. Ltd.*, 700 F.3d 1287, 1295-96 (Fed. Cir. 2012)
 13 (concluding that the plaintiff's complaint fell "far short of pleading facts necessary to state a
 14 plausible claim for . . . contributory infringement."); *Seoul Laser Dieboard Sys. Co., Ltd. v.*
 15 *Serviform, S.r.l.*, No. 12-cv-2427-BEN-JMA, 2013 WL 3761535, at *6 (S.D. Cal. July 16,
 16 2013) ("Among other things, Plaintiff must plead facts that allow an inference that the accused
 17 products are . . . 'not a staple or commodity of commerce suitable for substantial noninfringing
 18 use.'" (quoting *Superior Indus.*, 700 F.3d at 1296)); *Weiland Sliding Doors & Windows, Inc. v.*
 19 *Panda Windows & Doors, LLC*, No. 10-cv-677-JLS-MDD, 2012 WL 202664, at *6 (S.D. Cal.
 20 Jan. 23, 2012) (denying the defendant's motion to dismiss because plaintiff adequately pleaded
 21 that the accused device was not suitable for substantial non-infringing uses). Rather than re-
 22 interpret the words of Plaintiff's SAC, the Court **GRANTS** Defendant's Motion to Dismiss, but
 23 grants Plaintiff leave to amend to plead the elements of contributory patent infringement in
 24 accordance with the standard articulated in *Twombly* and *Iqbal*.

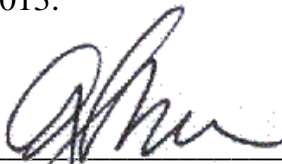
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1 **IV. CONCLUSION**

2 **IT IS HEREBY ORDERED** that Defendant's Motion to Dismiss (ECF No. 20) is
3 **GRANTED.**

4 **IT IS FURTHER ORDERED** that, if Plaintiff can cure the defects identified in this
5 Order, Plaintiff shall file its amended complaint by **October 11, 2013**. Failure to file an
6 amended complaint by that date will result in **DISMISSAL** of Plaintiff's Second Cause of
7 Action for Induced Patent Infringement and Plaintiff's Third Cause of Action for Contributory
8 Patent Infringement **with prejudice**.

9 **DATED** this 26th day of September, 2013.

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13 Gloria M. Navarro
14 United States District Judge
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